

## Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 EB-11 INT-08 SCEM-02 COME-00 TRSE-00

OMB-01 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15

ACDA-19 IO-14 NEA-10 AF-10 SCI-06 DRC-01 AID-20 /194 W

----- 061624

R IFPIQPQIZ NOV 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 947

INFO AMEMBASSY TAIPEI

AMEMBASSY MANILA

AMEMBASSY BANGKOK

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SEOUL 7486

E.O. 11652: N/A

TAGS: ENRG, RP, KS

SUBJECT: PETROLEUM CUTBACKS

REF: STATE 216846

BEGIN SUMMARY

SHORT TERM OIL SUPPLY OUTLOOK IN KOREA IS 21 PERCENT REDUCTION IN  
NOVEMBER REFINERY OUTPUT BELOW LEVEL PLANNED EARLIER. INFORMATION  
ON

LONGER TERM OUTLOOK IS NOT AVAILABLE. GOVERNMENT IS PREPARING  
ALLOCATION PROGRAM TO BE ANNOUNCED WITHIN NEXT FEW DAYS.

ASSESSMENT

OF IMPACT ON ECONOMY WILL BE REPORTED AFTER RATIONING PLAN

DETAILS ARE AVAILABLE. DEFENSE IMPLICATIONS BEING REPORTED  
SEPTEL. GOVERNMENT IS SENDING BLUE HOUSE OFFICIAL TO U.S. TO  
JOIN COMMERCE MINISTER LEE NOW IN WASHINGTON AND MEET WITH CHIEF  
OFFICIALS OF GULF AND CALTEX, THE MAIN U.S. FIRMS SUPPLYING KOREA  
WITH MID-EAST CRUDE. MINISTER LEE NAK SUN MAY ALSO BRING SUBJECT  
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UP IN MEETINGS WITH USG OFFICERS. ROKG ALSO PLANS SEND MCI  
ASSISTANT MINISTER ON SPECIAL MISSION TO MID-EAST TO  
RURSUADE  
SUPPLYING COUNTRIES TO GIVE SPECIAL CONSIDERATION TO KOREA. END  
SUMMARY.

1. REFINING FIRMS HAVE REPORTED TO MCI FOLLOWING CUTBACKS IN  
CRUDE SHIPMENTS FROM SUPPLYING FIRMS:

CALTEX (HONAM) 15 PERCENT  
GULF (KOCO) PERCENT

UNION (KYONG IN) 27 PERCENT

AVERAGE 26 PERCENT

AS CRUDE ORDERS INCLUDED HEDGING MARGIN ACTUAL TOTAL THROUGHPUT  
BY ALL REFINERIES ANTICIPATED IN NOVEMBER IS 5 PERCENT LESS  
THAN THAT PLANNED PRIOR TO ARAB RESTRICTIONS. REFINING REDUCTION  
VARIES ACCORDING TO COMPANY DIFFERENCES IN CRUDE RECEIPTS. FOR  
NOVEMBER-DECEMBER PERIOD REFINERS NOW ESTIMATE COMBINED OUTPUT  
OF

ABOUT 250,000 BARRELS PER DAY; PRODUCTION PLANS WERE FOR 310,000

B/D. REFINERS ARE RELUCTANT TO EVEN GUESS AT SUPPLY OUTLOOK  
BEYOND YEAR END.

2. BEFORE OCTOBER 16, KOREAN REFINERS PAID APPROXIMATELY \$2,67/  
BBL FOR ARABIAN LIGHT CRUDE, F.O.B. PRICE IS NOW \$6.F.O ALSO,  
ARABS NO LONGER ALLOW CREDIT SALES CUSTOMERS BEFORE RESTRICTION.  
ALTHOUGH IT IS CLEAR KOREANS WILL BE PAYING MORE FOR LESS OIL,  
FOREIGN EXCHANGE IMPACT IS STILL BEING WORKED OUT. BOTH MCI AND  
ECONOMIC PLANNING BOARD HAVE ANNOUNCED THAT NO PRICE INCREASE  
WILL BE PERMITTED BEFORE MID 1974. REFINERS HAVE DIGESTED  
REDUCTION IN PETROLEUM TAXES TO OFFSET LOSSES.

3. FOR SOME TIME GOVERNMENT DISSATISFACTION AT COUNTRY'S CRUDE  
SUPPLY BEING TIED UP BY U.S. OIL FIRMS (GULF, CALTEX, UNION)  
OPERATING HERE HAS BEEN EVIDENT, AND ROKG IS INTERESTED IN DEV-  
ELOPING DIRECT CONTACT AND TIES WITH MID EAST PRODUCING COUNTRIES.  
ASSISTANT MCI MINISTER CHOI DISCUSSED KOREAN CEMENT-ARABIAN  
CRUDE BARTER DEAL DURING MID-EAST VISIT IN AUGUST BUT WAS ADVISED  
SAUDI ARABIA COULD NOT INITIATE DIRECT SHIPMENTS BEFORE 1976.

4. ECON COUNSELOR WAS ADVISED NOVEMBER 7 BY BLUE HOUSE SECOND  
SECRETARY OH, WON CHUL THAT ROKG IS DISTURBED BY EXTENT OF  
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GULF'S CUTBACK AND THAT HE IS LEAVING FOR WASHINGTON TO MEET MCI  
MINISTER LEE AND TOGETHER VISIT GULF CHAIRMAN BOB DORSEY TO REQ-  
UEST INCREASE IN GULF'S CRUDE SHIPMENTS TO KOREA. DEPUTY PRIME  
MINISTER TOLD AMBASSADOR AT LUNCHEON THAT TEN PERCENT CUTBACK

COULD BE TOLERATED, BUT GULF'S 32 PERCENT WAS TOO MUCH. LEE AND OH ALSO PLAN TO MEET TEXACO OFFICIALS. OH SAID FUTURE COURSE OF ACTION WILL BE DECIDED AFTER THEIR CONVERSATIONS IN U.S. NEVER-THELESS, MCI SOURCES SAID ASSISTANT MINISTER CHOI WILL LEAVE NOVEMBER 9 FOR SAUDI ARABIA TO ASK THAT CRUDE OIL SHIPMENTS TO KOREA BE MAINTAINED AT 100 PERCENT OF CURRENT LEVELS.

5. PRESIDENT PARK ON NOVEMBER FIVE DIRECTED CONCERNED MINISTRIES TO DEVELOP OIL CONSERVATION PROGRAM ON CRASH BASIS. THIS NOW DUE FOR CABINET APPROVAL NOVEMBER 7 OR 8. MCI UNABLE DIVULGE DETAILS BEFORE CABINET APPROVAL, BUT SOME SPECULATIVE PRESS REPORTS INDICATE THAT CURTAILMENT OF BUS AND AIR TRANSPORTATION, LIMITATION OF LICENSING FOR NEW PASSENGER CARS AND BATHOUSES, DISCONTINUANCE OF DAYTIME BROADCASTING, AND NON-UTILIZATION OF ELEVATORS IN LESS THAN FIVE STORY BUILDINGS ARE IMPORTANT SEGMENTS OF PROGRAM. OTHER ARTICLES CLAIM CONSERVATION PROGRAM WILL BE OPERATIVE IN STAGES DEPENDENT ON EXTENT OF CRUDE OIL SUPPLY REDUCTIONS. AT TEN PERCENT CUTBACK FROM CURRENT LEVEL OF USE OF POL IN HOUSEHOLDS AND PRIVATE AUTOS WOULD BE RESTRICTED. AT 15 PERCENT, VARIOUS POL EXPORTS WOULD BE RESTRICTED. AT 20 PERCENT, OVER ALL RATIONING OF POL WILL BE PUT INTO EFFECT. ELECTRICITY CONSUMPTION ALSO WILL BE CONTROLLED. SINCE PRODUCT PROFILE CANNOT BE CHANGED MUCH, PLAN IS EXPECTED TO TAKE REFINED PRODUCT SUPPLY-DEMAND DIFFERENCES INTO ACCOUNT. NEVERTHELESS, ALTHOUGH MOST SEVERE IMPACT WILL BE FELT IN HEATING AND FUEL OILS, GOVERNMENT MAY ALSO IMPOSE RESTRICTIONS ON EXCESS SUPPLY PRODUCTS, SUCH AS GASOLINES, AS PSYCHOLOGICAL MOVE TO ENHANCE PUBLIC ACCEPTANCE OF AUSTERITY SHARED BY ALL.

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

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**TAGS:** ENRG, KS, RP, US  
**To:** STATE INFO BANGKOK  
MANILA  
MULTIPLE  
TOKYO  
**Type:** TE  
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